

City of Miami Beach, 1700 Convention Center Drive, Miami Beach, Florida 33139, www.miamibeachfl.gov

# COMMITTEE MEMORANDUM

TO:

Members of the Land Use and Development/Committee

FROM:

Jimmy L. Morales, City Manager

DATE:

July 8, 2013

SUBJECT: SPECIAL LAND USE AND DEVELOPMENT COMMITTEE MEETING OF JULY 8, 2013

A special meeting of the Land Use and Development Committee has been scheduled for July 8, 2013 at 5:00 pm in City Hall, Commission Chambers.

1. DISCUSSION REGARDING MIAMI BEACH CONVENTION CENTER MASTER PLAN PROGRAM COMPONENTS (REFERRED BY THE FINANCE & CITYWIDE PROJECTS COMMITTEE MAY 22, 2013)

### **2013 MEETING SCHEDULE**

Monday, July 22, 2013

\* AUGUST – RECESS \*

Monday, September 23, 2013

Wednesday, October 23, 2013

Wednesday, November 13, 2013

Monday, December 16, 2013



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### **BACKGROUND**

On March 9, 2011, the City Commission adopted Resolution No. 2011-27620, which endorsed and supported the concept of the Miami Beach Convention Center renovation and expansion, including the development of an adjacent Convention Center hotel. The City Commission also authorized the City Manager to secure any necessary expertise required to assist with the project, and to issue a Request for Proposals (RFP) to secure those consulting services. Through the resulting competitive solicitation process, the firm of Strategic Advisory Group (SAG) was selected and retained as the City's consultant in the project development process.

During the May 20-21, 2011 City Commission Retreat, the Commission further discussed and agreed to look at broader development opportunities in the area beyond the Convention Center, and expressed a desire to find ways to address the impact on traffic, mobility, and impacts to the surrounding neighborhoods. There was also a desire to be sensitive to the historic district, while maximizing green space.

As part of its initial responsibilities, SAG assisted the City in drafting a Request for Qualifications (the "RFQ") for the master development of the "Miami Beach Convention Center" (the MBCC District). The RFQ was the first step in an effort to create options for Convention Center improvements through a master development of City-owned properties surrounding the Convention Center that would generate new revenues to the City. These incremental revenues could be used to fund potential Convention Center improvements and/or provide operating funds.

The maximum potential development site for the MBCC District provided for in the RFQ is approximately 52 acres, encompassing the Convention Center facility itself, the adjacent surface parking lots, the 17<sup>th</sup> Street Parking Garage, the Fillmore Miami Beach at the Jackie Gleason Theater, City Hall, and City-owned buildings at 555 – 17th Street and 1701 Meridian Avenue. The combined area allows for up to approximately 6.2 million square feet of total FAR, inclusive of the existing structures. While the total acreage available for redevelopment is up to 52 acres, the objective would be for any proposed development to create significant open public spaces and other amenities that benefit the whole community.

On January 11, 2012, the City Commission authorized the Administration to issue Request for

Qualifications No. 22-11/12 for Qualified Developers for a Public-Private Mixed-Use Development in Miami Beach for the Enhancement of the MBCC District, including the Expansion of the Miami Beach Convention Center and Development of a Convention Center Hotel.

The primary objectives of the RFQ are to:

- 1. Improve the Convention Center (hereinafter also referred to as the MBCC);
- 2. Facilitate the ability of the MBCC to attract high impact conventions, meetings, and tradeshows in an increasingly competitive environment; and
- 3. Redevelop the surrounding area, including transforming the MBCC District into a new vibrant neighborhood with year-round activities; increasing outdoor public space; creating a walkable district providing connectivity between the MBCC and Lincoln Road and the City's historical and cultural district; providing iconic architecture in keeping with the City's history of significant design; incorporating sustainable (LEED) design principles; while being sensitive to the surrounding residential neighborhoods (particularly with respect to traffic and scale); and offering optimal economic and community benefits to the City.

The minimum requirements to be delivered by the successful Proposer of the RFQ are as follows:

- 1. Enhancements to the Convention Center, including at a minimum, Class A renovation, outdoor function space, and additional meeting space;
- 2. Development of a headquarter hotel; and
- 3. Provision of a multipurpose/ballroom space of 60,000 net square feet.

On November 20, 2012, the Evaluation Committee recommended to the City Manager to shortlist first ranked Portman CMC and second ranked South Beach ACE to move forward to Phase II of the RFQ. In addition to the Evaluation Committee, the City's consultant, SAG, also provided the City Manager with its recommendation to shortlist only the two (2) top-ranked Proposers, Portman CMC and South Beach ACE.

On December 12, 2012, the City Commission approved the City Manager's recommendation and adopted Resolution No. 2012-28102 short-listing Portman CMC and South Beach ACE as the master developers to proceed to Phase II of the RFQ process.

Since short-listing Portman CMC and South Beach ACE in December 2012, there has been much activity as outlined below. In an effort to ensure that the Mayor and Commissioners were kept up to date on the master planning progress throughout the process, the Administration held briefings with individual Commissioners every month, as well as provided status reports on the project at every Commission meeting. It should be noted that all public meetings and Commission Workshops during Phase II were videotaped and aired repeatedly on MBTV Channel 77 in an attempt to reach the broader community, particularly those who could not attend any or all of the public meetings.

In 2013, the following specific events have occurred to date:

#### January

City staff conducted kick-off meetings with Portman CMC and South Beach ACE that included detailed tours of the Convention Center. On January 29, the City held the first Public

Community Meeting (est. 300 in attendance) where the Administration presented the objectives of the RFQ and introduced the two short-listed teams. The teams did not present at this first meeting, as the goal for the meeting was to hear from the public. The public was asked to provide comment on how it wanted the Convention Center integrated into the community, what type of complementary uses and open spaces would appropriate as part of the project, and raise any other issues of interest. During this time, the Administration also set up an email address mbconventioncenter@miamibeachfl.gov to collect additional input. All correspondence received at this email address was forwarded to both teams.

### **February**

The teams, equipped with valuable input from the community, spent most of February developing guiding principles for the master plan based on community input and a preliminary master plan which they presented at the first City Commission Workshop on February 28. Approximately 150 people attended and many provided feedback and comments. The teams also presented to the Convention Center Advisory Board.

### March

During this period, both teams worked closely with the Administration and SAG on issues such as optional design lay-outs for the Convention Center, preliminary project cost estimates, traffic and parking issues, and preliminary analysis of potential financing sources. After considering staff feedback and the additional public input received at the last community meeting, the teams presented their refined master plans with 3D Massing at a Joint Community Meeting and City Commission Workshop on March 27, where they received meaningful feedback from the Commission and the public. The teams also presented their updated plans to the Convention Center Advisory Board and Greater Miami & The Beaches Hotel Association where they received additional comments.

### <u>April</u>

Early in the month, City staff met again with the teams to specifically discuss parking requirements for their respective proposed plans. Both teams also were required to submit their draft Letters of Intent (LOIs) on April 8, which were negotiated in meetings with the Administration and our consultants (SAG, Squire Sanders, and the City's Financial Advisor). The City also presented the Convention Center Project to the Miami Dade County League of Cities on April 11.

### May to Present

In May, each team revealed their final proposed master plan and submitted their final letter of intent to the City.

- May 14 Portman CMC and South Beach ACE presented their master plans and proposals for:
  - The expansion and renovation of the Convention Center
  - The creation of a new Ballroom
  - Development of a new 800-Room Headquarter Hotel
  - A parking and traffic plan
  - A proposed mixed-use development program
  - Land lease terms
  - A construction phasing plan
  - A financing plan

- May 15 The Administration and SAG presented a comparison of each team's proposal calling out differences in the proposed Convention Center design, parking design, Hotel design and approach, overall development program, open space plan, lease payment plan, and financing plan.
- May 16 Portman CMC and South Beach ACE presented their master plans to the Planning Board. This provided the Planning Board an opportunity to ask questions and provide comments to the two teams.

The teams also presented to the Convention Center Advisory Board.

- May 20 Full scale models and large renderings of both master plan proposals were set up at the first floor conference room at City Hall for public viewing everyday through June 21.
- May 23 Special Call Finance and City Wide Projects Committee Meeting The Administration and Staff reviewed with the Commissioners the financial comparison between the two proposals with regard to the 30-year financing of the public components of the project. It is important to note that this financial comparison differed from the May 15<sup>th</sup> presentation which looked at the value to the City over the 99 years of the proposed leases.
- May 28 The two teams had a second opportunity to present to the Planning Board and receive additional feedback.
- June 18 Special meeting of the Convention Center Advisory Board wherein the Board expressed their preference for the Portman-CMC proposed master plan by a vote of 4-3.
- June 25 Special meeting of the Planning Board The Board finalized their consensus on the issues and concerns from an urban planning perspective.

## PLANNING BOARD'S OBSERVATIONS

The Planning Board, by a 4-0 vote, ratified certain recommendations for the Convention Center Master Plan. Set forth below are those recommendations that are relevant to the discussion of the Master Plan program components:

## 1. BASE CASE PLANS

- The Planning Board indicated that the "Base Case" plans are not viable options, as they
  exclude a number of positive facets such as the restoration of the Gleason Theater,
  parks, and traffic and transit improvements that are essential to integrating the
  Convention Center redevelopment into the City.
- The Base Case plans, if applied to both proposals, would not adequately respond to the issues, comments and concerns raised herein.

## 2. GLEASON THEATER

• Although both proposals include the retention and restoration of the existing Gleason Theater (former Miami Beach Auditorium), the Planning Board recommends that the

structure be demolished and that the use and programming of the southeast corner of the larger site be re-thought. Additionally, it is recommended that the site be memorialized in some manner, in order to properly reference the history of the auditorium and its evolution.

Although not recommended by the Planning Board, if the Gleason structure is retained, it
is recommended that new retail space not be attached to the sides of the structure and
that the west side of the structure have a performing arts component.

## 3. ACCESSORY RETAIL/RESTAURANT

- The Planning Board recommended that the amount of retail and restaurant development should be adjusted to provide the minimum necessary to achieve public interaction within the open spaces, as well as provide connectivity to Lincoln Road. Any new retail and food/beverage space, to the greatest extent possible, should achieve a balance of providing enough activation of the newly created open space while not competing with Lincoln Road and adjacent commercial areas.
- The introduction of commercial spaces on the first floor of the east side of the Lincoln Road Garage (facing Pennsylvania Avenue) is highly recommended.

## 4. PUBLIC OPEN SPACE

- The use of landscape, green spaces and canopy trees within both proposals is very conceptual and in need of better definition. The details of all open spaces need further design development and adequate funding.
- While highly desirable from an urban design standpoint, the economic and structural feasibility of parking located underneath landscape, open areas, needs further evaluation.
- More defined pedestrian spaces, including sidewalks and paths of travel, are recommended.
- A fully defined connection with the Botanical Garden and Holocaust Memorial is essential.
- A strong and fully defined connection from the plaza on the south side of the site to Lincoln Road is essential, in order to provide convention center visitors unencumbered access to Lincoln Road.

### 5. RESIDENTIAL HOUSING

- The Planning Board supports the incorporation of residential housing within the project. In addition to providing the most appropriate interface to the low scale Palm View area to the west of the site, housing would put persons, activity and interaction within the site at all times, most importantly during non-convention function times.
- The Planning Board recommends that the residential component proposed along Meridian Avenue be substantially re-thought. Such housing needs to have adequate density, but should also not be excessively tall, as the Palm View district is composed primarily of lower scale buildings. Additionally, the shape and siting of new housing on the east side of Meridian Avenue should be compatible with the majority of existing buildings on the west side of Meridian Avenue.
- Any housing proposed for Washington Avenue should be functional and not compete operationally with the convention center.
- A substantial portion of the proposed housing component should be utilized and programmed for work force, affordable and service industry housing. New housing should be oriented toward mixed-income, and not hi-end speculation. The need to

provide housing for those employed in the service-related jobs created by the convention center project, as well as artists, is very important.

### 6. 17TH STREET GARAGE

 The Planning Board recommends that pedestrian connectivity from the south side of the site to the south side of 17<sup>th</sup> Street, be addressed by incorporating multiple pedestrian crossings between Washington Avenue and Meridian Court. These crossings should include either signalization or full vehicular stop signs.

### CITY MANAGER'S DISCUSSION

Four principal factors must be considered when determining the exact mix of private uses that should be approved on the MBCC District site (including the 17<sup>th</sup> Street Garage):

- 1. The economic subsidy that the private uses can contribute to the financing of the public Convention Center facility. The greater the square footage of private activity, the fewer public dollars that are required for the expansion and renovation of the Convention Center.
- 2. The amount of activity that is needed to activate the MBCC District and thereby make the project more successful. This includes the amount and placement of public and private uses that will create greater connectivity to Lincoln Road to the south, and the Collins Park Culture District and beaches to the east.
- 3. The impact that the private activities will have on already existing similar activities elsewhere on South Beach. Some of the existing hotel, retail and cultural institutions have expressed concerns about such an impact, and we need to be sensitive to them. The goal is to create greater economic growth for all, and not just within the MBCC District site.
- 4. The residents' concerns about traffic, neighborhood impact, and iconic and green public spaces must be taken into consideration. The quality of life of the adjacent residential neighborhoods and the community as a whole must be enhanced by this project. The goal is to simultaneously minimize the adverse impacts of the project to the surrounding neighborhoods, while creating important quality of life benefits like additional green space, improved connectivity, and iconic architecture.

Each of the Developers were asked to submit a Letter of Intent that addressed two possible scenarios: (i) a Base Case consisting of only a renovated and expanded Convention Center and the construction of a convention center hotel, and (ii) a mix and intensity of uses that they felt best met the requirements of the City's solicitation (hereinafter referred to as the "Full Case"). Based on the factors identified above, it is my recommendation that neither the Base Case nor the Full Case be adopted. Like the Planning Board, I do not recommend the Base Case since it fails to address most of the objectives set forth by the City Commission in issuing the RFQ, and, therefore, the overall project is less likely to succeed. As for the Full Case, while it might represent the best financial proposal from the perspective of generating private revenues to subsidize the Convention Center construction, it actually exacerbates many of the quality of life concerns and could endanger already existing economic and cultural activities in the area.

The list below sets forth my recommended levels of private activity, and is followed by an analysis of each category.

- a. <u>Hotel</u>: 800 room Convention Center hotel. This would include up to 30,000 square feet of retail and food & beverage which would be part of the hotel ground lease.
- b. Parking in the 17<sup>th</sup> Street Garage: Given the age of the Garage, we believe that renovating this structure makes no sense. I recommend (as a last phase of the project) that the Garage be demolished and a new one constructed. The new Garage would, at a minimum, replace the existing parking and could be designed and constructed to maximize the number of spaces permitted by Code. It is envisioned that the City would finance the construction of the Garage. The City would continue to own, control and manage the Garage once completed (including the City's power to set rates). The Developer will construct the Garage and lease the retail shell space from the City.
- c. <u>Retail-north of 17<sup>th</sup> Street (outside the Hotel)</u>: Up to 20,000 square feet of food & beverage and limited retail located in the public spaces north of 17<sup>th</sup> Street, with no one establishment occupying more than 10,000 square feet.
- d. <u>Retail-17<sup>th</sup> Street Garage</u>: Up to 70,000 square feet (depending on design of the new Garage) of retail and limited food & beverage located on the ground floor or top of the Garage.
- e. Residential: No residential development is recommended.
- f. Other Hotel: The City Commission might want to consider an alternative hotel product (e.g. select service, extended stay or boutique) of up to 200 rooms on top of the 17<sup>th</sup> Street Garage, on the east side of the Convention Center fronting Washington Avenue, or elsewhere on an agreed upon site in the MBCC District.
- g. <u>Cultural</u>: No cultural building is recommended at this time; notwithstanding, the City retains its rights at any future date to explore creating some permanent cultural amenity (e.g. museum) on the MBCC District site.
- h. <u>Jackie Gleason/Fillmore Theater</u>: I recommend deferring any decision regarding the ultimate arrangement between the City and the Developer until the renegotiation of the contract with the current manager of the facility (Live Nation).
- i. <u>Public Amenities</u>: If the Commission adopts this suggested program, the portions of the MBCC District site that are no longer going to be impacted by the Full Case (e.g. no residential development on the P lots) must be incorporated into the master plan for green space, open areas and public amenities.

### **Analysis**

Hotel: There is consensus over the necessity of a convention center hotel adjacent to the Convention Center. There also appears to be community consensus that 800 convention quality hotel rooms is an acceptable size. I agree with the development of 800 full-service, convention quality hotel rooms. There may be opportunities to add up to 200 additional rooms within the MBCC District site, perhaps as a select service, boutique or extended-stay hotel on

top of the 17<sup>th</sup> Street Garage, on the east side of the Convention Center or on another acceptable site within the MBCC District. I recommend the City Commission give some consideration to allowing an addition of 200 of these types of hotel rooms.

Retail-north of 17<sup>th</sup> Street (outside the Hotel): This is arguably the most difficult balancing act in the project. Urban planning dictates that there should be some food & beverage and limited retail in the 20+ acres of parks and public spaces that are being created to activate the MBCC District and transform it into a dynamic neighborhood. The food & beverage and retail should also be situated in order to encourage hotel guests and Convention Center visitors to leave those buildings, and head toward Lincoln Road, the Collins Park Cultural District and the rest of South Beach. The challenge, however, is to avoid creating so much retail that visitors will simply remain north of 17<sup>th</sup> Street and not feel compelled to keep walking. Furthermore, too much retail could also create a shopping destination that will increase non-Convention Center related vehicular traffic. There is no exact science to this calculation, but I believe 20,000 square feet external to the hotel and north of 17<sup>th</sup> Street strikes the right balance.

17<sup>th</sup> Street Garage: This garage is a 40 year old structure and it does not make sense to spend millions of dollars renovating the old building. The better course is to tear the building down, and build a new City-owned garage with a significantly improved design and relation to the street and surrounding buildings. We can also add more parking spaces if that is deemed desirable. Given the importance of these parking spaces to Lincoln Road merchants and their employees, I would recommend that the existing 17<sup>th</sup> Street Garage remain in place until the rest of the Convention Center project (including the parking generated thereby) is completed. At that point, the temporary loss of the parking in the 17<sup>th</sup> Street Garage can be offset by other parking on and off the MBCC District site. Once completed, all parking in the 17<sup>th</sup> Street Garage would remain under the control of the City. This would ensure adherence to the City's policy of keeping parking rates reasonable for residents and retail employees.

The City would lease to the Developer up to 70,000 square feet of retail and limited food & beverage on the ground/top floor of the new 17<sup>th</sup> Street Garage. This is consistent with the City's adopted Capital Improvements Program which currently includes a renovation of the 17<sup>th</sup> Street Garage with the addition of a retail façade on the ground floor. While some Lincoln Road merchants might not welcome the additional retail, I think this would be consistent with the City's effort to create a retail corridor on Lincoln Lane, and create retail connections to Lincoln Road along Pennsylvania and Euclid Avenues. In fact, there are some in the retail business that argue that more retail options actually attract more shoppers for all the merchants. Furthermore, this retail is located on the south side of 17<sup>th</sup> Street and will function like an extension of Lincoln Road, not an alternative to it (as might be the case with significant retail north of 17<sup>th</sup> Street). Finally, since this retail would not come on line for another 5-6 years, it will not immediately impact current Lincoln Road tenants still recovering from the economic difficulties of recent years.

Residential: The City Commission has made it clear that any residential development on the MBCC District site should be rental in nature (and not involve fee ownership of public property). Rental residential development generates small revenues to the City under the applicable ground lease to the developer (and those revenues would be even lower if the Planning Board's recommendations for work force housing were incorporated). While there is an argument that residential development along either Meridian or Washington Avenues would provide a buffer to the existing neighborhoods, I think it generates several problems that outweigh any aesthetic benefit.

First, residential development adds additional year-round daily vehicular traffic that is not related to Convention Center activities (including creating the need for additional parking). Secondly, by bringing residents closer to the activities of the MBCC District site (which promise to be even more activated than before), it increases the likelihood of friction between residents and those activities (e.g. noise, lights). Third, removing residential development allows for more green and open space for the use and enjoyment of our residents and visitors, including more connectivity to the Botanical Garden and the Holocaust Memorial. We can certainly activate this space with a children's playground, water features or other activities that do not add to the traffic and congestion. For all these reasons, my recommendation is to exclude any residential development.

<u>Cultural</u>: While we all agree that culture is a wonderful thing, I have many concerns about building a cultural building on the expectation that "if you build it, they will come". First, most museums and cultural activities require some level of subsidy. This will simply add more stress to our existing local cultural institutions competing for scarce dollars and patrons. Secondly, if "they don't come", there will be pressure on future City Commissions to convert empty cultural space into commercial retail space. This could generate significantly more retail square footage north of 17<sup>th</sup> Street than is otherwise advisable. Third, removal of a cultural building will create more green and open space, and greater sight lines and connectivity to Soundscape Park and Lincoln Road. Finally, if in the future an opportunity presents itself to build a new museum or other cultural asset with defined programming (and funding); the City can then re-visit locations on or off the MBCC District site. My recommendation is to forego any cultural building at this point.

Jackie Gleason/Fillmore Theater: This building has generated some of the most interesting public discussion. I admit that I did not fully appreciate the important role the Theater plays in the Miami Beach and South Florida music scene. If we are truly committed to diversity in our cultural offerings, then preserving the Theater is important. Second, the memory and legacy of Jackie Gleason in Miami Beach remains important, but that does not preclude renovating and upgrading the existing building that bears his name. Third, there does not appear to be much interest in a permanent or long running show that would occupy the Theater. This would conflict with the Theater's diverse programming and is not consistent with the South Beach brand. Both Developers have indicated an interest in renovating the building, keeping the 2,500 theater and abiding by any programming criteria established by the City. I recommend including the Jackie Gleason/Fillmore Theater in the program; however, the facility is currently under contract with Live Nation and the ultimate structure between the City, the Developer and Live Nation will need to be determined at a later date.

#### Summary

Based on the foregoing analysis, I recommend adoption of the program mix enumerated on page 7 of this Memorandum. The overwhelming majority of the 52 acre MBCC District site remains in public ownership and control. Of the 6.2 million square feet of total FAR available in the RFQ, less than 20% will be under private leases to the Developer. Despite assertions in some publications, no one can characterize a total of 90,000 square feet of retail as a "mall", and there is no construction of high end condos as others have surmised. Most importantly, what is now a lunar landscape of parking lots and concrete that cuts Miami Beach in half will be converted into beautiful public spaces and green parks that will serve as a gateway from east to west and north to south.

### **Next Steps**

The recommendations of the Land Use Committee will be discussed at the July 12<sup>th</sup> Special Call City Commission meeting. At that meeting, the City Commission will also take up the Manager's recommendation as to the selection of the Developer team. We have also set a time certain at 6 p.m. at the July 17<sup>th</sup> regular City Commission meeting in case the Commission wants additional time to consider the two recommendations.

On July 17<sup>th</sup>, the City Commission will also get the opportunity to approve the ballot language for the November 5<sup>th</sup> General Election ballot. I would recommend that we only approve one ballot question, based on the approved project program. Even though we had discussed placing a second ballot question, for approval of the Base Case, we now believe that the better approach is to ask the residents to approve the project program that makes the most sense. I think voters will appreciate the honesty and transparency of that approach, and it will reduce the likelihood of confusion.

I look forward to discussing this Memorandum at the July 8<sup>th</sup> Special Call Land Use Committee meeting.

### JLM/JGG

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